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**BY EMAIL**

September 9, 2009

Ms. Susan Leavitt  
Department of Energy Resources  
100 Cambridge Street, 10<sup>th</sup> Floor  
Boston, MA

RE: Straw Proposal of Solar Carve out of Massachusetts RPS

Dear Ms. Leavitt:

I am writing in opposition to the recent DOER straw proposal for a solar carve-out of the Massachusetts Renewable Portfolio Standard (RPS) that was discussed at an August 26, 2009 DOER informational stakeholder meeting. AIM is the largest trade association in Massachusetts, with over 6,500 members, many of whom will be impacted by this proposal.

The straw proposal would add an additional element to the current (and increasing) Massachusetts Renewable Portfolio Standard (RPS) that would require a certain percentage to be met exclusively through the use of solar renewable energy certificates (S-RECs). This solar program is authorized (but not required) in the Green Communities Act (GCA) and has been initiated due to the Governor's pledge to install 250 megawatts of solar power by 2017.

The Green Communities Act brought with it a promise of coordination among programs and agencies and perhaps lower rates. Instead, it has resulted in a plethora of uncoordinated, conflicting and experimental programs, all paid by ratepayers in investor owned utilities.

For instance, there are current dockets before the state Department of Public Utilities (DPU) related to smart grid, net metering, long-term contracting for renewables, energy efficiency and a general rate increase pertaining to the Administration supported decoupling of utilities (decoupling allows utilities to raise rates to make up for reductions in power use among ratepayers). Some dockets are even related to solar energy - Western Massachusetts Electric Company (WMECO) was recently granted approval to

increase rates in order to construct and own 6 megawatts of solar installations, which will cost ratepayers over 40 million dollars, the first of many expected increases for utility owned-solar installations.

In addition, there are automatic changes embedded in the GCA that will increase the RPS percentages and establish portfolio standards for other alternatives. Totaled, they will likely result in a 30-40% increase in distribution costs for customers in investor-owned utilities, adding billions to the cost of electricity over the next three years. This does not include expected increases in transmission or fuel costs.

Many of these programs should be labeled what they are - a tax on the ratepayers of Massachusetts that add costs and transfers money to favored industries without public debate. With these costs embedded in distribution charges for many years, it is unlikely that Massachusetts will give up its distinction of having the highest electricity prices in the United States.

Even more distressing, the Administration defines “green technology” and “green jobs” in such a way that only certain programs meet the definition of “green”. For instance, there are several companies that recycle newsprint in Massachusetts that have sought assistance from the Commonwealth and we understand there is a company in Southeastern Massachusetts that makes energy efficient windows that is closing, yet we are aware of no particular effort under the Governor’s green initiatives to help either, though both operate with proven technologies and have a proven green track record in Massachusetts.

In this proposal, DOER makes it very clear that ratepayer concerns are not a priority. On page 3 of the document given out at the August Stakeholder meeting, the term “minimizing ratepayer impacts” is *last* on the list of Goals and Objectives of the program.

This is not surprising given the subsidy costs envisioned in the program for the price of the S-RECs. Ironically, this proposal comes out at a time when the price of RECs under the current RPS is falling. The proposal envisions an allowable Alternative Compliance Payments (ACP) for solar (S-ACP) of 700 dollars per MWh in 2010, over *ten times* the current ACP and *over 20 times* the cost of current RECs trading on the open market and about *40 times* the current cost of nonrenewable power. Even S-ACP costs in 2020 would be almost 10 times the *current* cost of today’s non-solar RECs.

Not surprisingly, the DOER eliminates any projection of how much money this will save ratepayers, even in the long term. Over the next ten years the program will receive subsidies that will guarantee high electricity rates for everyone. Under no scenario will this program reduce or moderate power costs.

Given the high costs of this program, we also wonder what studies DOER is relying on to determine its benefit. For instance: How many jobs will be created with the hundreds of millions of dollars in additional subsidies that this program contemplates? How many jobs will be lost in other sectors of the economy when this and other rate increases impact

industries? How much would electricity prices have to rise to to even make this program cost effective? What is the environmental benefit of this program versus other program or alternatives?

In addition, AIM questions whether this program is actually needed. The Wall Street Journal recently reported that prices for solar installations are falling and in Massachusetts there is a vibrant market for solar installation owned by third parties. One AIM member recently installed solar panels using a third party to finance and install the panels, only agreeing to a long term contract for the power. By using existing subsidies the company was able to fashion a deal that did not burden the ratepayer any more than current subsidies allow. Time and time again, it has been shown that rebates and mandates drive costs higher. Experience in other countries has shown that once rebates and price supports are removed, prices for renewable energy technologies actually are reduced significantly, as companies begin to be subject to the same competitive markets as their customers. DOER should be looking for ways to facilitate more of these market-based programs.

DOER envisions that long-term contracting for S-RECs will mitigate ratepayer impacts, provided they stay below the S-ACP. Again, DOER is favoring investors over ratepayers (see page 14 of August 26 document which states that establishing long-term contracts for S-RECs will shift risks from “PV investors to utilities/ratepayers”).

AIM has advocated that in the matter of long term contracting for renewables a source blind approach be used. Whatever the cheapest renewables are should be used – that will drive down the cost. Under this DOER proposal, even contracting at slightly below the S-ACP will not be any bargain for the ratepayer. With the S-ACP rates at 700 dollars per MWh (declining only to 311 dollars in 2020) the S-ACP will, according to the DOER document, add millions to the RPS costs. Long-term contracts below the ACP are simply not the goal that should be used to determine whether or not a program meets the cost-effective definition. It does not mitigate costs to ratepayers. And it does not create economically sustainable industries or jobs.

AIM supports renewable energy and energy efficiency. Many of our members are related to the new green economy and AIM serves on the Energy Efficiency Advisory Group, a group established by the Green Communities Act to monitor spending of ratepayer funds collected for energy efficiency. However, a vibrant “green” sector depends on an overall vibrant economy to fund these programs. Sadly, companies, (including green companies) are deciding that it is cheaper to manufacture the technologies in other countries than it is to manufacture them here.

AIM is disheartened that DOER appears to have minimized the concerns of ratepayers (who fund all these programs) in order to satisfy its own priorities. Ironical, considering the DOER, in a recent legislative maneuver, is now completely funded by the ratepayer funds previously earmarked for energy efficiency (a diversion accomplished with no discussion with the Energy Efficiency Advisory Group of the impact of this change). Other than

meeting the Governor's goal, there appears to be little reason to drive up these electricity rates even higher to subsidize a particular technology.

The role of DOER should not simply be to carry out any Administration request, but to fully vet what these cost. Success is not just taxing one group to benefit another and counting the jobs created. Rather, DOER should be the agency that impartially analyzes the costs and benefits of these proposals and reports to ratepayers the results *before* programs are approved. With the Green Communities Act, the Legislature and the DOER have embarked upon program after program, not waiting for one to be approved and tested before another is dreamed up. Over time, what we have are massively compartmentalized programs that are in some cases contradicting others.

This solar carve-out should be put on hold until an economic and cost benefit analysis can be performed. Market forces which have resulted in reduction in renewable power prices should be allowed to operate without additional mandates or excessive subsidies. We urge the DOER to rethink their priorities, putting the ratepayer first and then deciding which programs can be implemented to carry out any goals of the commonwealth.

We appreciate the opportunity to comment on this straw proposal.

Should you have any questions please do not hesitate to contact me at 617-262-1180.

Sincerely,

A handwritten signature in black ink, reading "Robert A. Rio". The signature is written in a cursive, flowing style with a large initial 'R'.

Robert A. Rio, Esq.  
Senior Vice President and Counsel